



Special Report: Federal Workers

Preserving the Status Quo:

Stalemate Looms on the Hill Over Federal Workers' Issues

Under continuing assault from the Reagan administration and facing strained relations with Congress, federal workers are battling to protect their existing pay and benefits.

Although the 98th Congress is only four months old, the best that federal workers are likely to win from it is protection of the status quo.

"We can't move anything good to federal workers — the president would veto it," said Andrew Feinstein, staff director of the House Post Office Civil Service Subcommittee. "And we're not going to move anything the president wants — so we're in a stalemate."

"Basically, both in the House and Senate, those of us who work on civil service legislation are going to try to keep the issues to a minimum," said Ted Stevens, R-Alaska, chairman of the Senate Governmental Affairs Civil Service, Post Office and General Services Subcommittee.

For federal employees and their unions, the major legislative battles of the year have been fought — over Social Security and Reagan's fiscal 1984 budget proposals to freeze pay raises for a year while raising retirement contributions and the retirement age.

So far, the score is even. The employees lost their battle to prevent new federal workers from coming under the Social Security system. But they appear to have won on pay and retirement issues with the House and Senate budget panels rejecting most of Reagan's proposals for U.S. workers.

Because of the standoff between Reagan and congressional supporters of federal workers, no one expects major civil service legislation to go far during the rest of the 98th Congress.

Even the hottest issue — what to do about the civil service retirement plan — has been pushed to the back burner, where both Stevens and William D. Ford, D-Mich., chairman of

the House Post Office and Civil Service Committee, hope it will slowly simmer until after the 1984 presidential and congressional elections.

"As long as this administration is in power, we all will be forced to continue a rear-guard action to protect federal workers from White House onslaught," Ford told the National League of Postmasters March 16.

As things are shaping up, the federal employee issue taking center stage this spring is a series of four controversial regulations proposed by the administration to change how federal workers get raises, overtime pay and job security. (Story, p. 836)

Union leaders have formed the Federal/Postal/Retiree Coalition to combat these and other administration proposals to change the merit pay and retirement system. The coalition is made up of 51 organizations representing 3 million retired and active federal and postal workers.

"We're hoping to use the strength

of the coalition rather than rely on the clout of individual unions," said Kenneth Blaylock, president of the American Federation of Government Employees (AFGE), the largest employee union.

Bruised Feelings

Just how much clout that coalition has on Capitol Hill may depend on its efforts to rebuild support in Congress for federal unions.

Many in Congress are still angry over the furious lobbying effort the unions mounted in February and March to block coverage of new federal employees under Social Security, a step recommended by the National Commission on Social Security Reform. (Weekly Report p. 155)

That effort, coordinated by the Fund for Assuring an Independent Retirement (FAIR), a coalition of 25 organizations representing six million active and retired employees, brought postal workers and federal employees to Capitol Hill by the bus load.

The unions, fearing the existing civil service pension plan could collapse without support from new workers, sought a separate House vote on an amendment to exempt new civil servants from Social Security.

Individual federal workers lobbied with unprecedented intensity



Federal employees in March massed on the Capitol steps to protest Reagan administration policies toward the civil service.

—By Susan Smith

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and militancy. At one point, a disgruntled group of nearly 50 New England postal workers staged an informal sit-in at the office of House Speaker Thomas P. O'Neill Jr., D-Mass.

Voting to include civil servants under Social Security was uncomfortable for many in Congress, particularly liberals, union supporters and others who generally sympathize with federal workers but who represent only small numbers of such workers. Heavy lobbying, especially by anxious

postal clerks and unhappy federal office workers from across the country, made those members even more uncomfortable.

"You have to choose between civil service and Social Security recipients. How do you pick from two strongly organized special interest groups?" said one congressional aide.

However, most members of Congress believed allowing any amendments to the Social Security bill could eventually unravel the fragile compro-

mise recommended by the president's bipartisan commission.

For all practical purposes, union efforts to gain a separate House vote were derailed by Ford, O'Neill and Dan Rostenkowski, D-Ill., chairman of the House Ways and Means Committee. The three circulated a letter in support of the Social Security changes and pledged to oppose any proposal threatening the financial integrity of the civil service retirement fund or promised retirement benefits.

The unions eventually found a friend in the Senate, Russell B. Long, D-La., who proposed an amendment to delay coverage of federal employees under Social Security until a supplemental civil service retirement system could be established to provide them with a pension comparable to those offered in private business. The amendment was adopted by voice vote March 23, but it was quickly dropped a day later by a House-Senate conference committee. (*Background, Weekly Report* p. 596)

By then, the damage had already been done.

"It's not that they fought it," said Stevens afterward. "It's how they fought it. . . . There is just very poor communication right now between employee organizations and the Congress, and it is going to hurt very much in the later part of the year if they don't get some of those bridges rebuilt."

Many, including Stevens, believe that the unions should have concentrated on drafting a supplemental civil service retirement plan rather than fighting to keep their members out of the Social Security system.

"The basic mistake that was made was in not seeing what was going to happen — not recognizing that the momentum was there to carry new members under Social Security and using that as a wedge to create a better system," said Stevens.

"The ability to achieve that system now — after the new employees were already covered under Social Security — is lessened," he added.

New Workers Face Big Bite

Under the existing retirement system, federal workers contribute 7 percent of their pay to the civil service retirement fund, a sum matched by the agencies that employ them. In return, they receive pensions with an average monthly payment of \$1,047. (*Background, Weekly Report* p. 162)

A Congressional Budget Office re-

Federal Workers: Benefit Cutbacks

Federal workers have been an easy mark for budget cutters over the past few years, primarily because their numbers are relatively small and most Americans believe they are overpaid and under-worked.

Starting in 1976, when Congress eliminated the 1 percent kicker, a bonus to federal retirees based on increases in the cost of living, federal workers have been under siege. (*Congress and the Nation Vol. IV, p. 826*)

That year, Jimmy Carter was elected president under an anti-bureaucracy banner. Carter in 1979 and 1980 proposed a ceiling on federal pay hikes below the rate of inflation and offered a plan to reduce federal retiree cost-of-living increases (COLAs) from twice to once a year.

In the end, federal employees got a 5.5 percent hike in 1979 and a 9.1 percent increase just prior to the 1980 presidential election. Groups of federal retirees also forestalled the COLA proposals at that time. (*Pay caps, 1979 Almanac p. 586; 1980 Almanac p. 557; COLA, 1980 Almanac p. 124*)

The Reagan Cuts

Federal workers and retirees fared worse under President Reagan. In his first official act, Reagan signed an executive order instituting a federal hiring freeze. (*Background, 1981 Weekly Report p. 163*)

Reagan, in revising Carter's budget, called for major cutbacks in federal spending, including a reduction of 32,900 non-defense workers in fiscal 1981 and 63,100 in fiscal 1982. (*Background, 1981 Weekly Report p. 454*)

Since coming to office, Reagan has reduced the federal work force by 113,105, primarily through attrition. With congressional acquiescence, he held pay raises to 4.8 percent in fiscal 1982 and 4 percent in fiscal 1983. He recommended a pay freeze for fiscal 1984, although Congress is unlikely to go along.

Reagan also raised the cost of health care benefits for federal employees 55 percent while cutting those benefits an average of 12 percent.

At Reagan's urging, federal retirement benefits were cut in 1981 and again in 1982. In 1981, Congress went along with the president's request to replace the twice-yearly COLAs for retirees with an annual adjustment. (*1981 Almanac p. 396*)

Last year, Congress halved the annual COLA for retirees under the age of 62, delayed the COLA by a month for three years and eliminated benefit "double-dipping" by military retirees who had also worked in civil service jobs. Also in 1982, Congress levied a 1.3 percent Medicare payroll tax on federal workers. (*1982 Almanac pp. 514, 472*)

By most calculations, federal civilian workers have now dropped behind the private sector in pay and benefits.

A Congressional Budget Office report released March 22 shows that while the federal retirement program is still more generous than the average private sector pension combined with Social Security, federal workers trail the private sector in health and life insurance benefits and in paid time off for vacations, holidays and sick leave. A presidential Advisory Committee on Federal Pay estimated civilian pay has fallen 20 percent behind the private sector.

port released March 22 shows that despite certain cutbacks since 1981, the federal retirement program remains more generous than the average private-sector pension combined with Social Security. (Box, p. 834)

However, unless further changes are enacted this year, federal employees hired after Jan. 1, 1984, will be forced to pay 13.7 percent of their salary toward retirement — 6.7 percent for Social Security and 7 percent into the Civil Service Retirement System. Present federal workers would remain under the existing retirement system, paying the current 7 percent.

During debate on the Social Security bill, Stevens attempted to solve this problem. He proposed to require implementation by Oct. 1, 1985, of a supplemental civil service retirement plan for new federal workers. In the meantime, new workers would be exempt from paying into the Civil Service Retirement System between Jan. 1, 1984, and Oct. 1, 1985. New workers would receive a retirement credit for that period of work.

Stevens' measure was rejected 45-50. (Vote 48, Weekly Report p. 645)

The Reagan Proposals

In submitting his fiscal 1984 budget to Congress in January, Reagan sought significant changes in the federal retirement system.

The administration proposed to raise the employee contribution to the civil service pension plan from the current 7 percent to 9 percent in fiscal 1984 and 11 percent in fiscal 1985. Reagan also wanted to require federal employees to work until age 65 to receive full benefits. Currently, a federal worker can collect a full pension if he retires at age 55 with 30 years' service. (Weekly Report p. 304)

Now that the Social Security bill has been enacted, leaving new federal workers with a required total retirement contribution of 13.7 percent of pay, the administration is worried that new employees may be discouraged from joining the government. It now wants new federal workers to pay only the difference between the Social Security tax and Reagan's previously announced contribution targets.

Under the latest administration proposal, in 1984 new federal workers would effectively pay 6.7 percent of their salary toward Social Security and another 2.3 percent toward the federal retirement plan, a total of 9 percent. In 1985, new workers would pay a total of 11 percent of their pay

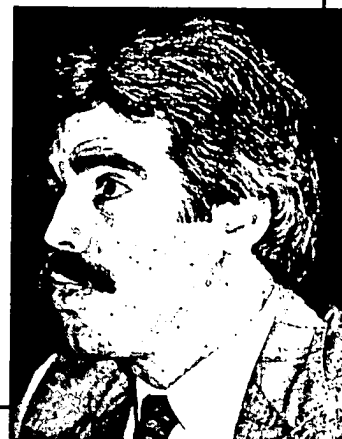


"It's not that they fought it [the Social Security bill]. It's how they fought it... There is just very poor communication right now between employee organizations and the Congress...."

—Sen. Ted Stevens, R-Alaska

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—David Gusky, National Federation of Federal Employees



to retirement — 7.05 percent to Social Security and 3.95 percent to the civil service pension plan.

However, both the House and Senate Budget committees are cool to this approach. During consideration of the fiscal 1984 budget resolution, both panels rejected the president's idea of raising federal workers' contributions to their retirement system. (Weekly Report pp. 601, 731)

Sitting Tight

Since the Social Security debate, there has been little further display of congressional or union interest in dealing with the problem facing new federal employees.

Union lobbyists and their congressional supporters fear any revisions in the civil service retirement plan between now and Election Day 1984 could subject the system to unfair election-year cutbacks that make representatives look good back home but further erode the federal worker's retirement system.

"It's almost impossible to deal with something like the retirement system in an election year," said Stevens.

In the House, Ford is expected eventually to play the lead role in revising the civil service pension system. So far, he has given little clue as to the kind of revamped plan he will support. He says only that he wants a fair, durable and actuarially sound civil service retirement system that can withstand demographic changes.

"Fair so that it can attract new people and is comparable to the system we have now," said Thomas H. Joyce, Ford's press secretary.

Stevens and Ford plan to commission a study this year on the existing system and alternatives that will serve as a basis for any reforms.

The Stevens Proposal

Anticipating the commission's recommendation for universal coverage, Stevens proposed a bill (S 2905) in 1982 to reform the civil service retirement plan. He proposed a three-tier pension system that would apply to newly hired federal workers. (Background, 1982 Weekly Report p. 1529)

The plan's base would be Social Security, with all new employees paying Social Security taxes and receiving typical benefits. The second level

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would consist of a "defined contribution plan" to which each agency would contribute a set amount for each employee. And the third level would be a voluntary thrift plan in which workers could place any amount they want, and their employing agency would match that amount, up to 3 percent of the worker's salary.

But the unions opposed Stevens' idea, primarily because they believed average employer-financed benefits would be less generous than at present. Stevens does not plan to reintroduce the bill this year unless unions change their minds on it.

"We had the advantage of suggesting to everyone, 'Let us as government employees take the first step in solving the Social Security problem and as we did, by the way, will you help us work out this civil service problem,'" said Stevens.

Others agree with Stevens. "The unions could have gotten things they never would have gotten otherwise," said Feinstein. "Members wanted to do something for them."

Union lobbyists contend they had no choice. "We owed it to our members," said David Gusky, a lobbyist for the National Federation of Federal Employees, who noted the unions had spent at least seven years fighting the concept of drawing federal workers into the Social Security system. "We got close, a lot closer than people thought."

In addition, union lobbyists are not as optimistic as Stevens that federal workers could have gained more from Congress this year.

"Not with this Congress, with this president," said Jane McMichael, AFGE's legislative and political director. "Do you think in reality this president would vote to support an equitable plan for current employees?"

Other Issues

Union leaders are hoping that members of Congress have short memories of the less pleasant aspects of the Social Security lobbying effort. In the past few weeks, union leaders have met individually with House and Senate leaders, in part to smooth over any hard feelings.

Nonetheless, signs cropped up immediately after the Easter recess that congressional enthusiasm for federal worker issues has waned.

A hearing scheduled before the House Civil Service Subcommittee on legislation (HR 81 and HR 82) introduced by Rep. William Clay, D-Mo.,

to reform the Hatch Act was postponed, primarily because of concern that the unions are weak right now on Capitol Hill and have enough work to do battling the administration over proposed regulation changes.

The Hatch Act prohibits federal workers from engaging in most political activity. Reforming it is a primary goal of federal worker unions, which believe their organizing efforts and influence on Capitol Hill are weaker than need be in part because federal workers are mindful of the Hatch Act and fearful of getting involved in political activities.

"Our members are scared," said Gusky. "They think as soon as they write their congressman, an FBI man is going to be at their door."

Clay's bills — one covering postal workers and the other for federal workers — would define more clearly what political activities government employees may engage in, including holding political office and actively campaigning for a candidate.

There are other signs that support for federal unions has dampened.

Earlier in the year, Stevens had planned to introduce legislation to beef up the Federal Employees Health Benefits Program by restructuring it and increasing the federal contribution. This health insurance program covers more than 3.7 million federal workers and retirees.

Now, Stevens is reluctant. "With the climate that exists today, I really don't plan to bring out any employee legislation until I see what the reaction is going to be," said Stevens. "It's a very confused picture in the Congress right now [as to] how any employee legislation would fare."

Budget Initiatives

Despite their other problems on Capitol Hill, federal unions found little to complain about in the first fiscal 1984 budget resolutions approved by the House and Senate Budget Committees.

Both panels rejected most of the president's fiscal 1984 recommendations to cut back benefits and pay for federal workers — including a 12-month freeze on pay that would affect about 2.7 million civilian employees.

Both panels approved a 4 percent pay raise for federal workers. The House resolution would give the pay raise in October, while the Senate committee wants to delay it six months to April 1984. Both committees rejected the administration's pro-

posal to delay the cost-of living increases for federal retirees for 12 months, supporting only a six-month delay.

The unions say their intense lobbying effort on the Social Security bill alerted members of Congress to the concerns of federal workers.

"We got what we wanted on the budget," said AFGE's McMichael. "I can't believe it didn't have a lot to do with the sophistication of our members and their growing militancy."

Lobbying: Beyond the Beltway

Now that both the Social Security and the fiscal 1984 budget battles are for the most part behind them, the unions are concentrating on expanding their ability to influence Capitol Hill from "beyond the beltway," a reference to the circumferential highway that encircles the Washington, D.C., area.

Since January, the Public Employee Department of the AFL-CIO, which represents 34 international unions with two million public employee members, has been using a new lobbying approach it calls "functional constituencies."

The bulk of federal workers live in eight or nine Washington-area congressional districts.

But the unions have identified 135 to 150 districts with sizable numbers of federal employees and retirees, and they now are calling on these members of Congress to let them know about the concerns of federal workers in their districts.

"We have fantastic exposure on the [House] Post Office and Civil Service Committee and the [Senate] Governmental Affairs Committee, but if you go beyond those committees, understanding of our issues declines appreciably," said Steve Pruitt, congressional affairs representative for the Public Employee Department.

To expand their influence, union leaders have also asked leaders of congressional committees with jurisdiction over federal agencies to conduct oversight hearings on the impact of personnel cutbacks.

Federal worker unions hope to use the Social Security battle as a means to rally their own troops.

"We're trying to tell our members, 'Look, don't get discouraged over the loss on Social Security. You guys accomplished something — you sensitized Congress to the fact you're a political force to be reckoned with,'" said Gusky. ■

Federal Workers Battle OPM Proposals . . .

Open war has broken out anew between federal employees and President Reagan.

This time, the battle is raging over a series of far-reaching regulations proposed by the administration March 30 that would link more closely to job performance the raises and job security of most white-collar federal workers. (*Weekly Report* p. 682)

The administration wants the changes in order to make personnel practices of the federal work force more nearly like those of the private sector.

The regulations do not require congressional approval and could take effect 180 days after the final versions are published. However, Congress may move to block them.

Rep. Patricia Schroeder, D-Colo., chairman of the House Post Office Committee's Civil Service Subcommittee, has introduced a bill (HR 2449) designed to prohibit their implementation. Schroeder will try to attach her measure to a fiscal 1983 supplemental appropriations bill when the House Appropriations Committee takes up such legislation later this spring.

Schroeder charged that the administration overstepped its bounds in proposing the changes and is trying to legislate by "regulatory fiat."

"Their basic purpose is to cut the benefits and rights of civil servants," she said. "Enough is enough."

Sen. Ted Stevens, R-Alaska, chairman of the Senate Governmental Affairs Subcommittee on Civil Service, Post Office and General Services, also is cool to the idea of tying federal pay raises and layoff protections to performance ratings. During a recent hearing, he argued that the administration should hold off on the changes.

Members of Congress are particularly concerned about expanding the pay-for-performance system already in effect for some 100,000 "Senior Executive Service" (SES) managers and supervisors, primarily because they believe it has not worked well during its first two years of operation.

"It is as often used to reward loyalty to the Reagan administration as it is to reward increases in productivity

and efficiency," said Schroeder. "To use this immature and fragile system as the bedrock for crucial personnel decisions is bad personnel management."

However, Donald J. Devine, head of the Office of Personnel Management (OPM), told a Senate panel April 13 that problems in the SES have been worked out. "It makes sense," said Devine. "We want to reward the people who work best. The system we have now doesn't reward people who perform best."

Unions representing federal workers have launched an offensive to defeat the proposals either in Congress or in the courts.

"We are convinced that OPM, with the blessing of the Reagan administration, is attempting to replace the civil service system with one of political patronage," said Kenneth T. Blaylock, president of the American Federation of Government Employees (AFGE), the largest federal employee union. "And that, as we have learned from history, is no way to run a government."

OPM's Devine considers the union criticism "a total red herring." Political appointees comprise only .15 percent of the federal work force, Devine said, making it impossible to inject politics into the federal job performance system. "It can't be done physically," said Devine.

Within-Grade Pay Raises

The administration wants to eliminate automatic within-grade pay raises for 1.4 million middle- and low-level general schedule (GS) federal workers. Instead, OPM wants to give raises on the basis of job performance.

Currently, the OPM uses a five-step appraisal system to rate employee job performance. The categories include outstanding, exceeds fully successful, fully successful, satisfactory, and unsatisfactory.

Most federal workers are eligible for automatic step raises every one to three years, depending on the step, if they demonstrate an "acceptable level of competence." However, what constitutes an acceptable level has never been clearly defined. For the most part, supervisors simply grant the raise automatically. Devine said 99 percent of federal employees eligible for step increases now receive them, but only 93 percent receive "fully successful" ratings.

Under OPM's proposal, workers would no longer receive the within-grade raises for work that was merely acceptable. Instead, only those employees with ratings of "fully successful" or better would be eligible for within-grade raises for steps 1 to 7. At steps 8 through 10, within-grade raises would go only to those with the top two ratings of "exceeds fully successful" or "outstanding."

In general, workers move from grade to grade in two ways. Certain classes of employees are eligible for such promotions on the basis of job performance. Most, however, move up a grade only if they are promoted to a job with more responsibility or requiring greater skills.

Reductions-in-Force

Under the proposal, the administration also wants to change reduction-in-force (RIF) procedures, giving more weight to job performance than seniority.



Union leader Kenneth T. Blaylock, left, is battling OPM Director Donald J. Devine over administration efforts to link raises, overtime pay and job security of federal workers more closely to job performance.

... To Revamp Pay, Overtime, RIF Rules

Devine contends the changes are needed to ensure that the federal government retains its top performers, including women and minorities, who often have little seniority.

However, union officials and members of Congress believe the proposed RIF changes would gut the Veterans Preference Act, which gives special seniority to veterans, and allow the administration to decide almost on an individual-by-individual basis which workers to lay off. (*Veterans, Congress and the Nation Vol. I, p. 1368*)

AFGE's Blaylock claims: "Workers who do not share the administration's political ideology would be the first to go out the door with no regard for seniority."

Collective Bargaining

This proposal, issued in the form of a policy change rather than a regulation, is aimed at establishing guidelines on collective bargaining issues.

Currently, federal worker unions are prohibited from bargaining for wages and salaries, and federal workers are barred from striking.

Unions may bargain over a number of issues relating to "conditions of employment," among them assignment of overtime, changes in work schedules and establishment of on-site day-care centers. They also may negotiate over procedures for implementing management decisions. For example, employees have no say in whether the government will institute RIFs, but they may negotiate over whether laid-off workers receive job counseling or help in locating a new job.

Federal unions were given the right to bargain over certain issues by an executive order signed by President John F. Kennedy in 1962.

Congress codified a series of executive orders regarding management rights when it passed the Civil Service Reform Act of 1978. For the most part, the act describes areas that are not negotiable but is silent on issues that are. (1978 *Almanac* p. 818)

The administration wants to spell out the issues over which unions and management may bargain in order to encourage managers and employee representatives to solve problems in the work place through "constructive consultation rather than through unnecessary verbal combat at the bargaining table," said Devine.

"Federal-labor management relations too often are plagued with ambiguities, and as a practical matter, management is often either unaware of, or unsure of, its rights in the labor-management process," Devine told the House panel.

But Rep. William D. Ford, D-Mich., chairman of the House Post Office and Civil Service Committee and one of the authors of the 1978 act, told Devine at a hearing April 21 that Congress never intended for OPM to circumscribe these issues.

Instead, Ford said Congress wanted to give agencies "latitude to exercise management authority to deal with their own problems."

For example, Ford noted there is no need for a federal military installation that employs male pilots, who have little daily responsibility for their children, to nego-



Reps. Patricia Schroeder, D-Colo., left, and William D. Ford, D-Mich., who chair the House panels with jurisdiction over federal workers, will try to get Congress to block the administration's job performance proposals.

tiating over establishing an on-site day-care facility. But the issue may be important for another federal agency that employs a large number of mothers responsible for young children.

Overtime Pay

The federal government uses a highly complicated system for determining who is eligible for overtime pay.

Most professional, executive and administrative workers employed by the federal government are not eligible for overtime, and therefore will not be affected by the administration's proposed changes in this area.

For those whose job duties qualify them for overtime pay, their GS grade determines whether they can collect.

The current federal overtime pay cutoff point is a GS-10, or \$429 a week (\$22,308 a year).

The administration wants to bring federal overtime standards more in line with those administered by the Department of Labor for the private sector, where the current overtime pay cutoff figure is \$250 a week.

The administration wants to reduce the federal cutoff point to \$318 a week, or \$16,536 a year.

"Even with those changes, ours will still be much more liberal than the private sector," said Devine.

Under the proposal, some workers would no longer be eligible to collect overtime pay, while others would lose some overtime pay.

"They're not going to be workers though, they're going to be administrators or professional people who were never meant to be under the overtime standards and in the private sector are not paid overtime," said Devine.

Among those who also would be affected are higher-paid federal workers who travel on the job.

Also affected would be persons who work nights or shifts, such as nurses at veterans' hospitals or printers at the U.S. Mint.

Of all the administration proposals, this one has met the least resistance from unions and members of Congress.

—By Susan Smith